

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF GENERAL RATES OF
DELTA NATURAL GAS COMPANY

) CASE NO.
) 97-066

O R D E R

Alleging that the Commission erroneously calculated Delta Natural Gas Company's ("Delta") normalized annual revenue requirement, the Attorney General ("AG") has moved for rehearing of the Commission's Order of May 1, 1998. Delta has responded in opposition to the petition. We grant the motion and order further changes in Delta's rates.

On December 8, 1997, the Commission established new rates for Delta's natural gas services. In our Order, we excluded from our calculation of Delta's rate base \$1,305,600 of accumulated deferred income taxes ("ADIT") associated with Delta's alternative minimum income taxes ("AMT"). After granting both parties' applications for rehearing and considering, inter alia, evidence on the issue of Delta's rate base, the Commission on May 1, 1998, found that \$1,305,600 of ADIT should have been included in Delta's rate base and that, as of result of this addition, Delta had a revenue requirement of \$6,059,150, and required an increase of \$1,827,531 in annual revenues, or \$157,728 more than authorized in our Order of December 8, 1997.

After reviewing the AG's motion and the response thereto, the Commission finds that, when determining Delta's revenue requirement in the May 1, 1998 Order, we failed to consider the tax savings associated with the imputed interest component of the


\$1,305,600 rate base addition. The Commission concurs with the AG's calculations regarding this error and finds that Delta's required operating income is \$6,059,150 and its adjusted operating income is \$4,983,075. This results in a required rate increase of \$1,785,931 or \$41,600 less in gross annual revenues than those set forth in the Commission's Order of May 1, 1998.

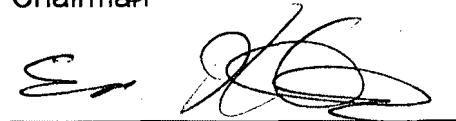
IT IS THEREFORE ORDERED that:

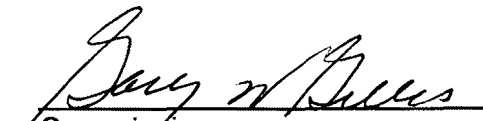
1. The AG's Motion for rehearing is granted.
2. The rates in Appendix A are approved for service rendered by Delta on and after the date of this Order.
3. Within 30 days of the date of this Order, Delta shall file with the Commission revised tariff sheets setting of the rates approved herein.

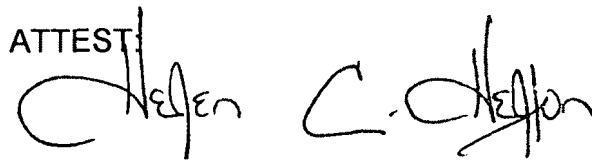
Done at Frankfort, Kentucky, this 1st day of June, 1998.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST

Executive Director

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 97-066 DATED JUNE 1, 1998

The following rates and charges are prescribed for the customers in the area served by Delta Natural Gas Company, Inc., and include the gas cost adjustment approved in Case No. 97-066-B.

RATE SCHEDULES

AVAILABILITY

Available for general use by residential, commercial, and industrial customers.

RATES

| | <u>Base Rate</u> | plus | <u>Gas Cost Recovery Rate</u> | equals | <u>Total</u> |
|-------------------------|------------------|------|---------------------------------------|--------|----------------|
| General Service | | | | | |
| Customer Charge | | | | | |
| Residential | | | | | \$ 8.00 |
| Small Commercial | | | | | 18.36 |
| All Others | | | | | 25.00 |
| .1 – 200 Mcf | \$2.7212 | | \$3.5152 | | 6.2364 per Mcf |
| 200.1 – 1,000 Mcf | 2.5000 | | 3.5152 | | 6.0152 per Mcf |
| 1,000.1 – 5,000 Mcf | 2.1000 | | 3.5152 | | 5.6152 per Mcf |
| 5,000.1 – 10,000 Mcf | 1.5000 | | 3.5152 | | 5.0152 per Mcf |
| Over 10,000 Mcf | 1.1000 | | 3.5152 | | 4.6152 per Mcf |
| Interruptible | | | | | |
| Monthly Customer Charge | | | | | \$200.00 |
| .1 – 1,000 Mcf | \$1.7000 | | \$3.5152 | | 5.2152 |
| 1,000.1 – 5,000 Mcf | 1.3000 | | 3.5152 | | 4.8152 |
| 5,000.1 – 10,000 Mcf | .9000 | | 3.5152 | | 4.4152 |
| Over 10,000 Mcf | .5000 | | 3.5152 | | 4.0152 |